

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name St. Ignace	County Mackinac
Fiscal Year End 03/31/2007	Opinion Date 08/28/07		Date Audit Report Submitted to State 09/17/07		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

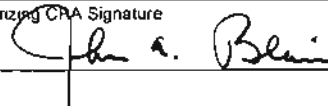
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2 Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	See Attached	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hill Schroderus & Co., LLP		Telephone Number 231-347-4136	
Street Address 923 Spring St. PO Box 695		City Petoskey	State MI
Zip 49770			
Authorizing CPA Signature 	Printed Name John A. Blair	License Number 1101015745	

FINANCIAL REPORT  
ST. IGNACE TOWNSHIP  
MARCH 31, 2007

ST. IGNACE TOWNSHIP  
FINANCIAL REPORT  
March 31, 2007

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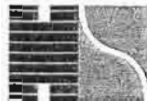
ST. IGNACE TOWNSHIP  
FINANCIAL REPORT  
March 31, 2007

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**Internal Control, Compliance and Other Matters**

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

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August 28, 2007

Independent Auditors' Report

Township Board  
St. Ignace Township  
Mackinac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2007 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Ignace Township's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

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906-643-9145

Steven Campbell, Trustee  
906-643-7536

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## Management's Discussion and Analysis

### Overview of the Basic Financial Statements

St. Ignace Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

### Government-wide Financial Statements

The government-wide financial statements report information on all of the Township's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as *net assets*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public safety, public works, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

### Fund Financial Statements

The fund financial statements report on the governmental funds and proprietary fund, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year.

The proprietary fund financial statements present information as it would appear for a private-sector business.

The fiduciary fund is also presented, separate from the governmental funds, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the government-wide financial statements.

St. Ignace Township maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Road Improvement Fund. These are the governmental funds, which are considered to be major funds.

## Notes to the Financial Statements

The notes provide additional information, which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-wide Financial Analysis

The table below summarizes the Township's net assets as of March 31, 2007:

St. Ignace Township Statement of Net Assets March 31, 2007			
	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Current and other assets	\$ 743,913	\$ 63,726	\$ 807,639
Capital assets - net of accum. dep.	111,437	2,898,354	3,009,791
Total assets	<u>\$ 855,350</u>	<u>\$ 2,962,080</u>	<u>\$ 3,817,430</u>
<b>Liabilities</b>			
Current liabilities	20,819	259,905	280,724
Bonds payable, long-term portion	-	636,000	636,000
Total liabilities	<u>20,819</u>	<u>895,905</u>	<u>916,724</u>
<b>Net Assets</b>			
Investment in capital assets net of related debt	111,437	2,011,621	2,123,058
Restricted for revenue bond covenants	-	14,000	14,000
Unrestricted	723,094	40,554	763,648
Total net assets	<u>834,531</u>	<u>2,066,175</u>	<u>2,900,706</u>
Total liabilities and net assets	<u>\$ 855,350</u>	<u>\$ 2,962,080</u>	<u>\$ 3,817,430</u>

At the end of the fiscal year, St. Ignace Township is able to report positive balances in all categories of net assets. The first portion of the Township's net assets is its investment in capital assets (land, buildings/building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.



The restricted net assets represent amounts limited for spending on construction of the new sewer system.

The remaining portion of net assets – unrestricted net assets – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**St. Ignace Township  
Statement of Activities  
Year Ended March 31, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 13,957	\$ 51,458	\$ 65,415
General revenue:			
Property taxes	103,932	-	103,932
Federal revenues	21,486	-	21,486
State shared revenues	75,472	-	75,472
Local revenues	20,317	-	20,317
Interest	17,306	-	17,306
Federal grants	-	48,400	48,400
Other	2,349	-	2,349
	<u>254,819</u>	<u>99,858</u>	<u>354,677</u>
Total revenues			
	<u>254,819</u>	<u>99,858</u>	<u>354,677</u>
<b>Function/Program Expenses</b>			
General government	89,071	-	89,071
Public safety	38,342	-	38,342
Public works	182,148	20,362	202,510
Recreation and cultural	10,407	-	10,407
Interest expense	-	14,602	14,602
Depreciation (unallocated)	5,939	55,383	61,322
	<u>325,907</u>	<u>90,347</u>	<u>416,254</u>
Total expenses			
	<u>325,907</u>	<u>90,347</u>	<u>416,254</u>
<b>Change in net assets</b>	(71,088)	9,511	(61,577)
<b>Net assets - beginning of year</b>	<u>905,619</u>	<u>2,056,664</u>	<u>2,962,283</u>
<b>Net assets - end of year</b>	<u><u>\$ 834,531</u></u>	<u><u>\$ 2,066,175</u></u>	<u><u>\$ 2,900,706</u></u>

As reported above, the Township recorded \$416,254 of expenses. The Township's governmental activities were funded primarily with property tax revenues. State shared revenues, Indian revenues, and national forest revenues were other notable sources. Federal grants funded the completion of the sewer construction project.

The Township experienced a decrease in net assets of \$61,577.

#### **Business-Type Activity Financial Analysis**

As of year-end, the Township's business-type activity reported total net assets of approximately \$2,066,175, which is \$9,511 more than the beginning of the year.

#### **The Township's Funds**

The analysis of the Township's major funds begins on page 5. As of year-end, the Township governmental funds reported a combined fund balance of approximately \$723,094, which is \$65,149 less than the beginning of the year. The decrease was mainly due to the general fund loaning money to the sewer fund to finance additional project costs relating to the odor issue.

#### **General Fund Budgetary Highlights**

Final budgeted revenues were the same as originally adopted as no amendments were made to these budgets.

Final actual revenues were slightly over final budgeted amounts. State revenues and charges for services were higher than budgeted.

Final actual expenditures were less than final budgeted amounts. The largest budget variances were due to lower other costs, and fire protection costs.

#### **Road Improvement Fund Budgetary Highlights**

Final budgeted revenues and expenditures remained unchanged from original budgeted amounts.

Final actual revenues were about \$38,102 greater than final budgeted amounts. National Forest revenues were not included in the budget PILT monies and taxes were greater than expected.

Final actual expenditures were also greater than budgeted amounts. The largest budget variance was due to unanticipated construction on various road projects.

## Capital Assets and Debt Administration

At March 31, 2007, the Township had \$3,009,791 invested in capital assets. The following table summarizes the capital asset activity for the year:

### St. Ignace Township Year Ended March 31, 2007

	April 1, 2006	Additions	Disposals	March 31, 2007
Land	\$ 5,550	\$ -	\$ -	\$ 5,550
Buildings and improvements	138,991	-	-	138,991
Equipment	18,714	2,953,737	-	2,972,451
Total capital assets	163,255	2,953,737	-	3,116,992
Less accum. depreciation	(45,879)	(61,322)	-	(107,201)
Net capital assets	<u>\$ 117,376</u>	<u>\$ 2,892,415</u>	<u>\$ -</u>	<u>\$ 3,009,791</u>

The bonds outstanding at year-end are revenue bonds related to this project. Future sewer fund revenues will be utilized for repayment of these bonds.

## Financial Contact

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Treasurer, St. Ignace Township.

**ST. IGNACE TOWNSHIP**  
**Statement of Net Assets**  
**March 31, 2007**

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Current Assets</b>			
Cash	\$ 332,481	\$ 14,950	\$ 347,431
Investments	126,338	-	126,338
Receivables:			
Taxes	11,944	-	11,944
Other	-	16,813	16,813
Internal balances	242,278	-	242,278
Due from fiduciary fund	24,792	-	24,792
Due from other governmental units	6,080	-	6,080
Total current assets	<u>743,913</u>	<u>31,763</u>	<u>775,676</u>
<b>Noncurrent Assets</b>			
Restricted assets:			
Revenue bond covenants	-	31,963	31,963
Land	5,550	-	5,550
Depreciable assets	157,705	2,953,737	3,111,442
Less: accumulated depreciation	<u>(51,818)</u>	<u>(55,383)</u>	<u>(107,201)</u>
Total noncurrent assets	<u>111,437</u>	<u>2,930,317</u>	<u>3,041,754</u>
Total assets	<u><u>\$ 855,350</u></u>	<u><u>\$ 2,962,080</u></u>	<u><u>\$ 3,817,430</u></u>
 <b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 9,643	\$ 1,087	\$ 10,730
Internal balances	-	242,278	242,278
Due to other governmental units	11,176	-	11,176
Accrued interest	-	9,540	9,540
Bonds payable, due within one year	<u>-</u>	<u>7,000</u>	<u>7,000</u>
Total current liabilities	<u>20,819</u>	<u>259,905</u>	<u>280,724</u>
<b>Noncurrent Liabilities</b>			
Bonds payable	<u>-</u>	<u>636,000</u>	<u>636,000</u>
Total noncurrent liabilities	<u>-</u>	<u>636,000</u>	<u>636,000</u>
Total liabilities	<u>20,819</u>	<u>895,905</u>	<u>916,724</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	111,437	2,011,621	2,123,058
Restricted for revenue bond covenants	-	14,000	14,000
Unrestricted	<u>723,094</u>	<u>40,554</u>	<u>763,648</u>
Total net assets	<u>834,531</u>	<u>2,066,175</u>	<u>2,900,706</u>
Total liabilities and net assets	<u><u>\$ 855,350</u></u>	<u><u>\$ 2,962,080</u></u>	<u><u>\$ 3,817,430</u></u>

**ST. IGNACE TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2007**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental activities:							
General government	\$ 89,071	\$ 13,957	\$ -	\$ -	\$ (75,114)	\$ -	\$ (75,114)
Public safety	38,342	-	-	-	(38,342)	-	(38,342)
Public works	182,148	-	-	-	(182,148)	-	(182,148)
Recreation and cultural	10,407	-	-	-	(10,407)	-	(10,407)
Unallocated depreciation	5,939	-	-	-	(5,939)	-	(5,939)
Total governmental activities	325,907	13,957	-	-	(311,950)	-	(311,950)
Business-type activity:							
Sewer	90,347	51,458	-	-	-	(38,889)	(38,889)
Total primary government	\$ 416,254	\$ 65,415	\$ -	\$ -	(311,950)	(38,889)	(350,839)
General revenues:							
Property taxes					103,932	-	103,932
Federal revenues					21,486	48,400	69,886
State-shared revenues					75,472	-	75,472
Local revenues					20,317	-	20,317
Interest and investment earnings					17,306	-	17,306
Miscellaneous					2,349	-	2,349
Total general revenues					240,862	48,400	289,262
Change in net assets					(71,088)	9,511	(61,577)
Net assets - beginning of year					905,619	2,056,664	2,962,283
Net assets - end of year					\$ 834,531	\$ 2,066,175	\$ 2,900,706

See accompanying notes to the basic financial statements.

**ST. IGNACE TOWNSHIP**  
**Balance Sheet**  
**Governmental Funds**  
**March 31, 2007**

<u>Assets</u>	<u>General</u>	<u>Road Improvement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 103,629	\$ 186,697	\$ 42,155	\$ 332,481
Investments	126,338	-	-	126,338
Taxes receivable	1,427	8,393	2,124	11,944
Due from other funds	252,379	11,727	2,964	267,070
Due from other governmental units	6,080	-	-	6,080
Total assets	<u>\$ 489,853</u>	<u>\$ 206,817</u>	<u>\$ 47,243</u>	<u>\$ 743,913</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,310	\$ 3,333	\$ -	\$ 9,643
Due to other governmental units	882	-	10,294	11,176
Total liabilities	<u>7,192</u>	<u>3,333</u>	<u>10,294</u>	<u>20,819</u>
<b>Fund balances</b>				
Unreserved:				
Designated for Recreation	-	-	6,114	6,114
Designated for Water/Fire Hydrant Fund	-	-	30,338	30,338
Undesignated	482,661	203,484	497	686,642
Total fund balances	<u>482,661</u>	<u>203,484</u>	<u>36,949</u>	<u>723,094</u>
Total liabilities and fund balances	<u>\$ 489,853</u>	<u>\$ 206,817</u>	<u>\$ 47,243</u>	<u>\$ 743,913</u>

ST. IGNACE TOWNSHIP  
Reconciliation of Governmental Funds Balance Sheet to the  
Statement of Net Assets  
March 31, 2007

Total Fund Balance - Governmental Funds	\$ 723,094
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets, these assets are capitalized and depreciated over their estimated useful lives.

Governmental capital assets	163,255
Accumulated depreciation	<u>(51,818)</u>

Net Assets of Governmental Activities	<u>\$ 834,531</u>
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**ST. IGNACE TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2007**

	General	Road Improvement	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 38,412	\$ 52,300	\$ 13,220	\$ 103,932
Federal revenues	-	21,486	-	21,486
State revenues	74,659	-	813	75,472
Local revenues	20,317	-	-	20,317
Charges for services	11,494	-	2,463	13,957
Interest and rentals	11,785	4,316	1,205	17,306
Other	2,349	-	-	2,349
<b>Total revenues</b>	<b>159,016</b>	<b>78,102</b>	<b>17,701</b>	<b>254,819</b>
<b>Expenditures</b>				
Current:				
General government	89,071	-	-	89,071
Public safety	36,222	-	2,120	38,342
Public works	5,946	172,108	4,094	182,148
Recreation and cultural	-	-	10,407	10,407
<b>Total expenditures</b>	<b>131,239</b>	<b>172,108</b>	<b>16,621</b>	<b>319,968</b>
Excess (deficiency) of revenues over expenditures	27,777	(94,006)	1,080	(65,149)
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	1,630	1,630
Operating transfers out	(1,630)	-	-	(1,630)
<b>Total other financing sources (uses)</b>	<b>(1,630)</b>	<b>-</b>	<b>1,630</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>26,147</b>	<b>(94,006)</b>	<b>2,710</b>	<b>(65,149)</b>
<b>Fund balances - beginning of year</b>	<b>456,514</b>	<b>297,490</b>	<b>34,239</b>	<b>788,243</b>
<b>Fund balances - end of year</b>	<b>\$ 482,661</b>	<b>\$ 203,484</b>	<b>\$ 36,949</b>	<b>\$ 723,094</b>



ST. IGNACE TOWNSHIP  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (65,149)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of these assets is allocated over  
their estimated useful lives as depreciation.

Current year depreciation	<u>(5,939)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (71,088)</u></u>
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ST. IGNACE TOWNSHIP  
Statement of Net Assets  
Proprietary Fund  
March 31, 2007

	Business-Type Activity Enterprise Fund Sewer System
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 14,950
Accounts receivable	16,813
Total current assets	<u>31,763</u>
<b>Noncurrent Assets</b>	
Restricted cash for revenue bond covenants	31,963
Depreciable assets	2,953,737
Less: accumulated depreciation	<u>(55,383)</u>
Total noncurrent assets	<u>2,930,317</u>
Total assets	<u><u>\$ 2,962,080</u></u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 1,087
Interest payable	9,540
Bonds payable, due within one year	<u>7,000</u>
Total current liabilities	<u>17,627</u>
<b>Noncurrent Liabilities</b>	
Due to General Fund	242,278
Bonds payable	<u>636,000</u>
Total noncurrent liabilities	<u>878,278</u>
Total liabilities	<u>895,905</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	2,011,621
Restricted for revenue bond covenants	14,000
Unrestricted	<u>40,554</u>
Total net assets	<u>2,066,175</u>
Total liabilities and net assets	<u><u>\$ 2,962,080</u></u>

ST. IGNACE TOWNSHIP  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended March 31, 2007

	Business-Type Activity Enterprise Fund
	Sewer System
<b>Operating revenues</b>	
Charges for services	\$ 51,458
<b>Operating expenses</b>	
Other supplies and expenses	20,362
Depreciation	55,383
Total operating expenses	75,745
Operating income (loss)	(24,287)
<b>Nonoperating revenues (expenses)</b>	
Federal grants	48,400
Interest expense	(14,602)
Change in net assets	9,511
Total net assets - beginning of year	2,056,664
Total net assets - end of year	\$ 2,066,175

ST. IGNACE TOWNSHIP  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended March 31, 2007

	Business-Type Activity Enterprise Fund
	Sewer System
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 39,645
Payments to suppliers	(21,992)
	<u>17,653</u>
Net cash provided (used) by operating activities	<u>17,653</u>
<b>Cash flows from non-capital financing activities</b>	
Transfers in	<u>223,300</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets and contracts payable	(227,971)
Principal paid on bonds	(6,000)
Interest paid on bonds	(14,603)
Grants received	48,400
	<u>(200,174)</u>
Net cash provided (used) for capital and related financing activities	<u>(200,174)</u>
Net increase (decrease) in cash	40,779
Cash, beginning	<u>6,134</u>
Cash, ending	<u><u>\$ 46,913</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (24,287)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	55,383
(Increase) decrease in accounts receivable	(11,813)
Increase (decrease) in accounts payable	(1,630)
	<u>41,940</u>
Total adjustments	<u>41,940</u>
Net cash provided (used) by operating activities	<u><u>\$ 17,653</u></u>

ST. IGNACE TOWNSHIP  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
March 31, 2007

	<u>Agency Fund</u>
<u>Assets</u>	
Cash	<u>\$ 152,173</u>
<u>Liabilities</u>	
Due to other funds	\$ 24,792
Due to County	24,890
Due to Schools	<u>102,491</u>
Total liabilities	<u>\$ 152,173</u>

**ST. IGNACE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

St. Ignace Township operates under an elected Board of Trustees and provides services to its residents in many areas including: fire protection, public safety and improvements, planning and zoning, recreation and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The following is a summary of the significant policies used by the St. Ignace Township:

**REPORTING ENTITY**

The accompanying financial statements have been prepared in accordance with criteria established by GASBS No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS –CONTINUED

In the government-wide Statement of Net Assets, both the governmental and business-type activity are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

#### Governmental Funds

The following is a description of the major governmental funds of the Township:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Road Improvement Fund** – The Road Improvement Fund is used for Township road improvements and maintenance. Primary financing is through a specific annual property tax levy and federal grants.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL – CONTINUED

In addition, the Township reports the following non-major governmental funds:

##### Special Revenue Funds

**Recreation Fund** – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through a specific annual property tax levy.

**Liquor Control Fund** – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through State of Michigan revenue sharing.

**Water/Fire Hydrant Fund** – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through interest revenue and General Fund transfers.

**Building Fund** – The Township performs record keeping functions for this fund while the Township Board approves all transactions. Primary financing is through building permit fees.

##### Proprietary Fund

The focus of the proprietary fund is upon the determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to for-profit businesses. The following is a description of the major proprietary fund of the Township:

**Sewage Disposal Utility Fund** – The Sewer Fund is an Enterprise Fund. The fund will be financed and will operate in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing sewer service to the general public will be recovered through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### Fiduciary Fund

The fiduciary fund is used to account for assets held by the City in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting, however report only assets and liabilities.



## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Agency Fund** – The Agency Fund accounts for the collection and payment of property tax levies.

#### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All proprietary funds and agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### **ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### **Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand and demand deposits.

##### **Interfund Receivables/Payables**

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

##### **Capital Assets**

Capital assets, which include property, buildings, leasehold improvements, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are equal to or greater than \$1,000 and an estimated useful life in excess of 2 years for all asset types except for land. Land is capitalized if cost exceeds \$1.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

##### Capital Assets – Continued

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	20 to 60 years
Sewer Systems	34 to 40 years
Office Equipment & Furniture	5 to 10 years
Leasehold Improvements	20 to 40 years

##### Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### COMPARATIVE DATA

Comparative data for the prior year is not included in the Township's financial statements.

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Township except for the agency funds. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the fund budgets are legally enacted through passage of an appropriation act.
4. The budget is adopted at the fund level consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year, and lapse at year-end.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Excess of Expenditures Over Appropriations in Budgetary Funds P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted on a fund basis.

During the year ended March 31, 2007, the Township incurred expenditures in one budgetary fund, which was in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Road Improvement	\$ 40,000	\$ 172,108	\$ 132,108

### NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

#### Cash Deposits

At March 31, 2007, the carrying amount of the Township's deposits was \$531,567 and the bank balance was \$532,502.

Pooling of Cash - The Township pools cash to maximize its investment return:

<u>Fund</u>	<u>Amount</u>
<b>Primary Government</b>	
General	\$ 93,223
Road Improvement	123,757
Other Nonmajor Governmental Funds	<u>11,818</u>
Total pooled cash	228,798
Cash not held in pooled accounts:	
Primary government	150,598
Fiduciary Funds	<u>152,171</u>
Total cash	<u><u>\$ 531,567</u></u>

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 3: CASH AND INVESTMENTS – CONTINUED

#### Federal Depository Insurance

Of the above balance in cash, \$248,416 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances through the year.

Investments are stated at market value. Investments held at a financial institution can be categorized according to three levels of risk. The three levels of risk are:

- Category 1 Investments that are insured, registered or held by the entity or by its agent in the Township's name.
- Category 2 Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the Township's name.
- Category 3 Uninsured and unregistered investments held by the counterparty, its trust or its agent, but not in the township's name.

The Township has a certificate of deposit with a market value of \$126,338 at March 31, 2007. This investment is classified by risk level as Category 1.

### NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the Township as of the preceding December 31. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year for which they are levied.

The Township is permitted by charter to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$1.50 per \$1,000 of taxable valuation for general governmental services and for the payment of principal and interest on general obligation long-term debt. The 2006 State taxable valuation of the St. Ignace Township totaled \$27,866,469.

The tax rate for the year ended March 31, 2007, was as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	\$1.3772 per \$1,000
Road improvements	\$1.8782 per \$1,000

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 5: DESIGNATIONS OF FUND BALANCE**

The following funds have been designated by management:

<u>Fund</u>	<u>Amount</u>
Recreation	\$ 6,114
Water/Fire Hydrant	30,338

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

The interfund balances within the primary government are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 252,379	\$ -
Road Improvement Fund	11,727	-
Recreation Fund	2,964	-
Sewer Fund	-	242,278
Fiduciary Fund	-	24,792
	<u>\$ 267,070</u>	<u>\$ 267,070</u>

The interfund balance between the Recreation Fund and General Fund is for fund operations. The interfund balance between the Sewer Fund and General Fund is for interim project financing. This is considered a loan and will be paid back over 40 years at 2% interest. The remaining balances are for property taxes.

**NOTE 7: INTERFUND TRANSFERS**

Operating transfers within the primary government are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 1,630
Building Fund	1,630	-
	<u>\$ 1,630</u>	<u>\$ 1,630</u>

The operating transfers are for general operations of the Building Fund.

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 8: CAPITAL ASSETS

Capital asset activity of the Township's primary government for the current year was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated:	\$ 5,550	\$ -	\$ -	\$ 5,550
Capital assets being depreciated:				
Buildings and improvements	138,991	-	-	138,991
Office equipment and furniture	18,714	-	-	18,714
Subtotal	157,705	-	-	157,705
Less accumulated depreciation:				
Buildings and improvements	(36,486)	(3,716)	-	(40,202)
Office equipment and furniture	(9,393)	(2,223)	-	(11,616)
Subtotal	(45,879)	(5,939)	-	(51,818)
Net capital assets being depreciated:	111,826	(5,939)	-	105,887
Governmental activities net capital assets	<u>\$ 117,376</u>	<u>\$ (5,939)</u>	<u>\$ -</u>	<u>\$ 111,437</u>

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Equipment	\$ 2,953,737	\$ -	\$ -	\$ 2,953,737
Less accumulated depreciation:				
Equipment	-	(55,383)	-	(55,383)
Net capital assets being depreciated:	2,953,737	(55,383)	-	2,898,354
Business-type activities net capital assets	<u>\$ 2,953,737</u>	<u>\$ (55,383)</u>	<u>\$ -</u>	<u>\$ 2,898,354</u>

Depreciation expense was charged to the primary government as follows:

### Governmental Activities

Unallocated	\$ 5,939
Total governmental activities	<u>\$ 5,939</u>

### Business-type Activities

Sewer	\$ 55,383
Total business-type activities	<u>\$ 55,383</u>

# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 9: LONG-TERM DEBT

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
<b>Business-type Activity</b>					
Bonds and notes payable:					
Revenue bonds					
2007 Sewage Disposal	<u>\$ 649,000</u>	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>\$ 643,000</u>	<u>\$ 7,000</u>

Long-term liabilities payable at December 31, 2007 is composed of the following individual issue:

Business-Type Activity:

\$649,000, 2006 St. Ignace Township Revenue Bonds due in annual installments of \$6,000 to \$34,000 through January 1, 2044; interest at 4.50%.

\$ 643,000

The annual debt service requirements to maturity for all general and revenue obligation bonds outstanding excluding premium and refunding deferrals, as of March 31, 2007, are as follows:

Year Ending March 31	Business-Type Activity	
	Principal	Interest
2008	\$ 7,000	\$ 28,935
2009	7,000	28,620
2010	7,000	28,305
2011	8,000	27,990
2012	8,000	27,630
2013-2017	46,000	132,435
2018-2022	56,000	121,185
2023-2027	71,000	107,235
2028-2032	88,000	89,820
2033-2037	110,000	78,750
2038-2042	137,000	34,965
2043-2044	<u>98,000</u>	<u>4,545</u>
Total	<u>\$ 643,000</u>	<u>\$ 710,415</u>

The revenue bonds were issued on February 3, 2005 to provide funding for the Township sewage disposal system construction. The bonds are callable at the issuer's option beginning on January 1, 2006. Prepayment amounts would consist of principal plus interest accrued to the call date.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 10: PENSION PLAN

The Township provides pension benefits for all of its employees, including board members, meeting certain minimum requirements through a defined contribution plan sponsored by the Municipal Retirement Systems, Inc. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Township contributes to the plan; the plan does not provide for employee contributions.

The Township's contributions to the plan include a component for current service plus a component for up to 10 years of prior service rendered before April 1, 1991. Contributions for current service are at 12 percent of current compensation. Contributions for prior service are computed at 1 percent of current compensation for each year of prior service.

The Township contributed \$6,139, including \$190 to cover pension administrative expenses, to the plan during fiscal year 2007. This contribution was based on salaries of \$49,980 while total fiscal 2007 Township payroll was \$53,251. Contributions to the plan are invested in annuities issued by insurance companies.

### NOTE 11: COMMITMENTS

**Ambulance Service:** The Township has joined with other area townships and the City of St. Ignace to create the "St. Ignace Community Area Ambulance Service." This organization has in turn, contracted with Allied EMS Systems, Inc., to operate ambulance services in the community.

Payments under this contract are required annually at a stipulated rate per person residing in each political unit comprising the contracting group. Each political unit is required to pay its pro-rated share of operating loss (if any), on a quarterly basis.

Payments under this contract were approximately \$14,566 for the year ended March 31, 2007.

### NOTE 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

The Township continues to carry worker's compensation insurance through the State of Michigan Accident Fund.

### NOTE 13: CONTINGENCIES

The Township may be subject to a potential liability resulting from problems with the Sewer Construction Project. Since a liability cannot be determined for certain and it is management's opinion that the likelihood of a liability is remote, no provision has been made for any potential liability related to the Sewer Construction Project.



REQUIRED SUPPLEMENTARY INFORMATION

**ST. IGNACE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
<b>Beginning budgetary fund balance</b>	\$ 456,514	\$ 456,514	\$ 456,514	\$ -
<b>Resources (inflows):</b>				
Taxes	38,050	38,050	38,412	362
State revenues	65,012	65,012	74,659	9,647
Local revenues	20,000	20,000	20,317	317
Charges for services	6,000	6,000	11,494	5,494
Interest and rentals	9,000	9,000	11,785	2,785
Other	-	-	2,349	2,349
Amounts available for appropriations	594,576	594,576	615,530	20,954
<b>Charges to appropriations (outflows):</b>				
General government:				
Trustees	4,160	4,160	4,484	324
Supervisor	10,800	11,345	14,108	2,763
Elections	2,500	2,500	2,780	280
Assessing	16,900	16,900	15,947	(953)
Professional services	7,000	7,000	9,590	2,590
Clerk	12,700	12,700	13,507	807
Board of review	1,000	1,378	2,872	1,494
Treasurer	16,100	17,310	16,153	(1,157)
Publishing	1,000	1,000	198	(802)
Building and equipment	3,000	3,000	3,382	382
Insurance	5,000	5,000	4,523	(477)
Other	9,702	6,139	1,527	(4,612)
Total general government	89,862	88,432	89,071	639
Public safety:				
Fire protection	20,000	20,000	17,383	(2,617)
Fire hydrant rent	2,400	4,000	4,000	-
Ambulance	15,000	15,000	14,566	(434)
Planning & zoning	2,000	2,000	273	(1,727)
Total public safety	39,400	41,000	36,222	(4,778)
Public works:				
Cemetery	1,000	1,000	1,200	200
Street lights	6,000	6,000	4,746	(1,254)
Total public works	7,000	7,000	5,946	(1,054)
Capital Outlay	2,000	1,830	-	(1,830)
Transfers out	-	-	1,630	1,630
Total charges to appropriations	138,262	138,262	132,869	(5,393)
<b>Ending budgetary fund balance</b>	<u>\$ 456,314</u>	<u>\$ 456,314</u>	<u>\$ 482,661</u>	<u>\$ 26,347</u>

ST. IGNACE TOWNSHIP  
 Budgetary Comparison Schedule  
 Road Improvement Fund  
 For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Beginning budgetary fund balance	\$ 297,490	\$ 297,490	\$ 297,490	\$ -
<b>Resources (inflows):</b>				
Taxes	40,000	40,000	52,300	12,300
Federal revenues	-	-	21,486	21,486
Interest	-	-	4,316	4,316
Amounts available for appropriations	337,490	337,490	375,592	38,102
<b>Charges to appropriations (outflows):</b>				
Public works	40,000	40,000	172,108	132,108
Ending budgetary fund balance	<u>\$ 297,490</u>	<u>\$ 297,490</u>	<u>\$ 203,484</u>	<u>\$ (94,006)</u>

OTHER SUPPLEMENTAL INFORMATION

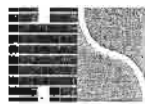
**ST. IGNACE TOWNSHIP**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**March 31, 2007**

<u>Assets</u>	<u>Recreation Fund</u>	<u>Liquor Control Fund</u>	<u>Water / Fire Hydrant Fund</u>	<u>Building Fund</u>	<u>Total</u>
Cash	\$ 11,320	\$ 494	\$ 30,338	\$ 3	\$ 42,155
Taxes receivable	2,124	-	-	-	2,124
Due from other funds	2,964	-	-	-	2,964
Total assets	<u>\$ 16,408</u>	<u>\$ 494</u>	<u>\$ 30,338</u>	<u>\$ 3</u>	<u>\$ 47,243</u>
<u>Liabilities and Fund Balances</u>					
<b>Liabilities</b>					
Due to other governmental units	<u>\$ 10,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,294</u>
<b>Fund balances</b>					
Designated for Fund Activities	6,114	-	30,338	3	36,455
Unreserved	<u>-</u>	<u>494</u>	<u>-</u>	<u>-</u>	<u>494</u>
Total fund balances	<u>6,114</u>	<u>494</u>	<u>30,338</u>	<u>3</u>	<u>36,949</u>
Total liabilities and fund balances	<u>\$ 16,408</u>	<u>\$ 494</u>	<u>\$ 30,338</u>	<u>\$ 3</u>	<u>\$ 47,243</u>

**ST. IGNACE TOWNSHIP**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2007**

	Recreation Fund	Liquor Control Fund	Water / Fire Hydrant Fund	Building Fund	Total
<b>Revenues</b>					
Taxes	\$ 13,220	\$ -	\$ -	\$ -	\$ 13,220
State revenues	-	813	-	-	813
Charges for services	-	-	-	2,463	2,463
Interest and rentals	269	13	919	4	1,205
Total revenues	13,489	826	919	2,467	17,701
<b>Expenditures</b>					
Current:					
Public Safety	-	720	1,400	-	2,120
Public Works	-	-	-	4,094	4,094
Recreational and Cultural	10,407	-	-	-	10,407
Total expenditures	10,407	720	1,400	4,094	16,621
Excess (deficiency) of revenues over expenditures	3,082	106	(481)	(1,627)	1,080
<b>Other financing sources (uses)</b>					
Operating transfers in	-	-	-	1,630	1,630
<b>Net change in fund balances</b>	3,082	106	(481)	3	2,710
<b>Fund balances - beginning of year</b>	3,032	388	30,819	-	34,239
<b>Fund balances - end of year</b>	\$ 6,114	\$ 494	\$ 30,338	\$ 3	\$ 36,949

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



August 28, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Township Board  
St. Ignace Township  
Mackinac County, Michigan

We have audited the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of St. Ignace Township, as of and for the year ended March 31, 2007, which collectively comprise the St. Ignace Township's basic financial statements and have issued our report thereon dated August 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Ignace Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Ignace Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Ignace Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Ignace Township's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the St. Ignace Township's financial statements that is more than inconsequential will not be prevented or detected by St. Ignace Township's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting. The Township should continue the efforts to computerize accounting records and improve the accounting system. The Sewer Fund needs continual monitoring to ensure that the fees are adequate to cover the operations and reserves and payoff debts. The Township needs to monitor the services provided by the City of St. Ignace to ensure they are properly maintaining and operating the sewer system and to make sure they are properly collecting the sewer fees. With regards to external financial reporting the Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by St. Ignace Township's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the Township not having the expertise to prepare financial statements in accordance with generally accepted accounting principles to be a material weakness.

#### Compliance and Other Matters

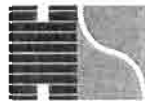
As part of obtaining reasonable assurance about whether St. Ignace Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

St. Ignace Township's response to the findings identified in our audit is described below. The Township is actively working on becoming computerized. They have purchased a computer and software and are currently setting it up. In regards to the sewer system they will work actively and have been working with City officials in regards to the operation and maintenance of the system. The Township however will not be able to prepare their own financial statements according to generally accepted accounting principles, they do not have the number of employees or the expertise to perform this function.

This report is intended solely for the information and use of management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan



August 28, 2007

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN INTERNAL  
CONTROL AND OTHER MATTERS

Township Supervisor and Board  
St. Ignace Township  
Mackinac County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activity and each major fund and the aggregate remaining fund information of St. Ignace Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered St. Ignace Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Treasurer and Clerk: The Township should continue the efforts to computerize accounting records and improve the accounting system.

Sewer Fund: The Township needs to continue to monitor sewer fees to ensure that fees are adequate to fund operations and reserves and payoff debts. The Township needs to monitor the services provided by the City to ensure proper maintenance of the system and proper collection of fees. Also, the City needs to review insurance coverage to ensure adequacy of coverage on the system.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

External Financial Reporting: The Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to newly issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control.

We did note that Township's management does prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

This communication is intended solely for the information and use of management, Township Board, others within the organization, and State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan